



THE CITY OF SAN DIEGO **MANAGER'S REPORT**

DATE ISSUED: September 26, 2001 REPORT NO. 01-200

ATTENTION: Honorable Mayor and City Council
Docket of October 1, 2001

SUBJECT: IN THE MATTER OF DIRECTING THE ASSISTANT CITY
MANAGER REGARDING THE PROPOSED SAN DIEGO AIR
COMMERCE CENTER PROJECT AT BROWN FIELD AIRPORT

REFERENCE: Planning Commission Workshop of September 16, 1999 - Report No.
P99-151. Planning Commission Workshop of November 18, 1999 -
Report No. P99-196. Planning Commission Workshop of January 27,
2000 - Report No. P-00-018. Planning Commission Hearing of May 25,
2000 - Report No. P-00-053. Planning Commission Hearing of July 20,
2000 - Report No. P-00-131.

SUMMARY:

Issue: The Assistant City Manager is seeking direction regarding the proposed San Diego Air Commerce Center project at Brown Field Airport.

Alternatives

- A. Authorize the Assistant City Manager to negotiate a new Memorandum of Understanding with Brown Field Aviation Park, LLC (BFAP) for the potential lease and development of Brown Field Airport premises.
- B. Direct the Assistant City Manager to present the San Diego Air Commerce Center Project as previously proposed for consideration by the Mayor and City Council at a future date.
- C. Direct the Assistant City Manager not to recommence negotiations with BFAP; direct staff to continue working on the Otay Mesa Community Plan Update, and the Brown Field Airport Business Plan and return to Land Use and Housing (LU&H) Committee for policy direction on the future of Brown Field Airport.
- D. Direct the Assistant City Manager to develop a new Request for Proposals for the disposition of all or a portion of Brown Field Airport premises and return to LU&H Committee for direction.

Planning Commission Recommendation - On May 25, 2000, the Planning Commission's motion to deny the project and to not certify the EIR failed by a vote of 3-1. The Planning Commission then recommended with a split vote that the project be forwarded to the City Council, and expressed the following concerns and recommendations: 1) The Commission did not have the FAA Airspace Analysis report, development agreement, or the market/feasibility study available for review before the hearing; 2) Recommend that the applicant and school district work together to approve the existing school sites or establish alternate sites in the area, and that the project not move forward until this is resolved; 3) Recommend installation of a permanent noise monitoring system which is maintained by the developer, subject to control and enforcement by the city, linked to the 60 CNEL. A determination should be made as to whether or not the developer is required to insure all homes are insulated to an interior noise level of 45 db. This recommendation also includes producing annual noise contour maps; 4) Request that the City encourage the developer to work with the cargo carriers to reach an agreement on the hours of operation; 5) Determine the developer's responsibility regarding air pollution; 6) Recommend that all drainage issues be addressed; 7) Require that the City does not have any liability if the project fails; 8) Recommend that the City establish a program providing annual briefing for pilots; 9) Recommend that the City implement a voluntary pilot education program.

On July 20, 2000, the Planning Commission held a second hearing regarding the proposed Development Agreement. The Planning Commission voted unanimously (4-0) to recommend denial of the Development Agreement for the following reasons: 1) The Planning Commission continued to express environmental concerns, and could not recommend City Council certification of the EIR; 2) The FAA Airspace Analysis had not been completed and there was no available timeline for its completion, so safety issues remained a concern; 3) The extraordinary and significant benefits did not appear to be beyond the nexus of the project, and fall short of what the Commission believe the City should expect; 4) Noise and air pollution issues had not been fully studied; 5) Section 9.1.12 of the Development Agreement regarding hours of airport operations should be strengthened to include additional measures the Airport Manager could take to assure flights arrive and depart between the hours of 7:00 a.m. and 10:00 p.m.

Community Planning Group Recommendations

Otay Mesa Community Planning Committee: On February 16, 2000, the Otay Mesa Community Planning Group voted (7-0-7) to support the Brown Field expansion project subject to the following conditions: 1) The Group review and support the Development Agreement, Master Lease, Design Guidelines, and CLUP; 2) The project comply with the Otay Mesa Drainage Master Plan; 3) The runway be constructed in the first phase; 4) The project comply with the restriction to not exceed 65 CNEL over Dennery Canyon; 5) Agreement is reached with the Navy re: airspace concerns; 6) The project contribute to the FBA and abide by OMDD regulations; 7) The City maintain some control over enforcing noise levels to alleviate some of the residents' concerns.

Otay Mesa-Nestor Planning Committee: In May of 1999, the Otay Mesa-Nestor Planning Committee voted unanimously (15-0) to recommend approval of the San Diego Air Commerce Center at Brown Field project.

San Ysidro Planning and Development Group: On November 18, 1997, the San Ysidro Planning and Development Group voted unanimously (8-0) to endorse the concept of the San Diego Air Commerce Center at Brown Field project. On November 16, 1999, the Group voted (5-3) to reaffirm the action taken on November 18, 1997, and recommended approval of the concept with the following additional specific conditions and concerns: 1) Noise and air pollution effects on existing and proposed school sites; 2) Noise contours on approaches above existing residential development to the west; 3) Assignment of a portion of lease revenue to directly mitigate any negative impacts on San Ysidro and adjacent communities.

Airports Advisory Committee: On July 11, 2000, the City of San Diego Airports Advisory Committee voted unanimously (9-0) to support the proposed SANDACC project subject to the following conditions: 1) Additional defined areas on Brown Field be assigned for general aviation expansion in addition to that specified in the General Aviation Area Conceptual Land Use Plan; 2) The General Aviation Area Conceptual Land Use Plan, prepared by BFAP's consultant is not feasible; 3) Administration of the leases for the current long term leaseholders on Brown Field not be assigned to BFAP due to a conflict of interest.

Other Recommendations: The Board of Supervisors for the County of San Diego, and the City Councils for the Cities of Imperial Beach and Chula Vista have voted to oppose the proposed San Diego Air Commerce Center at Brown Field.

Environmental Impact: Environmental Impact Report/Environmental Assessment (EIR/EA) LDR No. 96-7678 has been prepared for this project. The EIR/EA concludes that implementation of this project would result in significant and unmitigated traffic impacts. A Mitigation, Monitoring, and Reporting Program would be incorporated into the project which includes measure that would reduce to below a level of significance the following impacts (previously identified as significant): Land Use; Noise Impacts; Water Quality; Biological Impacts; Cultural Resources; Paleontological Resources; Hydrology/Floodplains; Light Emissions; Solid Waste; Construction Impacts; Topography/Visual Resources; Hazardous Materials/Risk of Upset; Public Services and Safety; Social Impacts.

Fiscal Impact: BFAP has estimated there will be a contribution to regional economic activity of over \$750 million per year. They have estimated that the project will generate over 11,500 permanent jobs in the San Diego region (including over 7,000 jobs on the project site). They have also estimated that local business sales will rise by over \$450 million, and over 4,500 construction related jobs will be created over the project's anticipated 12-year construction period.

BACKGROUND

On January 29, 1996, in response to direction by the Mayor and City Council to make Brown Field profitable, the City's Real Estate Assets Department distributed a letter of interest request to prospective proposers to consider the marketing and developing of Brown Field Airport, in particular, the Aviation Industrial Park at the southwest corner of Brown Field. The City welcomed proposals from interested parties without specifically suggesting that the airport be used for cargo. The successful proposer was Brown Field Aviation Park, LLC.(BFAP). Their proposed concept was the San Diego Air Commerce Center (SANDACC) project.

On December 9, 1996, the City Council authorized the City Manager to enter into a Memorandum of Understanding (MOU) with BFAP, for the right to exclusively negotiate a long term ground lease at Brown Field airport. On February 16, 1999, the Mayor and City Council authorized the City Manager to enter into a Restated and Amended Memorandum of Understanding (RAMOU) which replaced the original MOU. On December 7, 1999, the Mayor and City Council extended the RAMOU until August 16, 2000. The RAMOU was not subsequently extended and the City is under no current obligation to negotiate exclusively. The RAMOU clearly stated "Developer understands and agrees that all negotiations shall involve the City Manager and/or the City Manager's staff and shall not be binding on the City Council" (Section 13. City Council Approval Required).

For over three years, the City of San Diego and BFAP worked in concert to plan for the comprehensive redevelopment of Brown Field into a state-of-the-art intermodal transportation facility and industrial center. It was envisioned that the redevelopment efforts would provide an operationally safe, full-service cargo airport to meet the existing and projected demand for freight via large aircraft. In addition to providing a full service cargo and general aviation reliever airport for Lindbergh Field, the redevelopment efforts would include development of a wide variety of non-aviation related land uses on the south side of the airport, including but not limited to office, retail, restaurant, hotel, warehouse and distribution. In summary, the proposed SANDACC project consists of redevelopment of the airport to improve aircraft operational facilities and to provide for development of a variety of aviation and non-aviation related land uses on remaining areas of the airport (Attachment #1).

Three separate Planning Commission Workshops were held on September 16, 1999, November 18, 1999, and January 27, 2000, and two separate Planning Commission Hearings were held on May 25, 2000 (the project), and July 20, 2000 (Development Agreement). A wide variety of issues were discussed including those identified by City staff, the public, and members of the Planning Commission.

BFAP has suggested that the proposed privatization and construction program would provide cargo facilities, infrastructure, jobs, revenue, and economic development opportunities to serve the San Diego region well into the twenty-first century. BFAP has stated that regionally the need to develop cargo facilities at Brown Field is important in that local cargo is now handled primarily at Lindbergh Field, which is primarily a passenger handling airport. The limited amount of air cargo activity at Lindbergh (compared to other large hub airports) is largely due to the lack of adequate air cargo facility areas, a single runway, and the nighttime aircraft operating restrictions from 11:30 p.m. to 6:30 a.m. It has been reported that 80 percent of air cargo traffic is routed through Los Angeles International Airport (LAX) resulting in jobs and tax revenue being exported to other areas of southern California. This has been provided as justification for the project.

BFAP has stated that a state-of-the-art air cargo processing facility at Brown Field could potentially provide a solution to the air cargo constraints at Lindbergh Field. The proposed cargo development at Brown Field could allow those cargo carriers using Lindbergh to transfer operations to Brown Field, thus freeing capacity at Lindbergh for increased passenger airline operations. The new air cargo facilities at Brown Field could also provide a means of decreasing the number of air freight trucks that currently travel from the San Diego/Mexico area to LAX, improving traffic flow and reducing emissions.

Notable components of the proposed SANDACC project include the following:

- A. There are two existing runways, 8R/26L at 3,032 feet and 8L/26R at 7,999 feet. 8L/26R would be extended by 3,500 feet to 11,500 feet. The resulting runway length would meet the objective of providing sufficient runway length to accommodate all current and forecasted air cargo aircraft and provide the capability for non-stop service from Brown Field to Asia, a major player in the international air cargo market.
- B. The existing Brown Field Airport consists of approximately 886 acres. The acquisition of 235 acres of private property to the east of the airport (including property in the County of San Diego) is proposed to provide for the runway extension, improved safety, and future development areas for aviation and non-aviation commercial uses. This would bring the total airport property to approximately 1,121 acres.
- C. The relocation and reclassification of La Media Road is proposed to accommodate the runway extension. La Media would be realigned around the eastern end of the runway extension, and would be reclassified from a Six-lane Prime Arterial to a Four-lane Urban Major Road.
- D. The development of over 250 acres is proposed for new air cargo facilities including multi-tenant cargo facilities, air cargo operations, broker/forwarders, corporate hangers, fuel farm, warehouse and distribution, etc. Ultimately the facility is expected to serve 15 air cargo carriers performing 48 daily operations, and would service aircraft as large as the B-747. The airport is anticipated to ultimately handle over 500,000 tons of air cargo annually.
- E. The designation of a variety of non-aviation related land uses on the south side of the airport is proposed to include retail, office, hotel, restaurant, truck stop, day care, etc.
- F. An approximately 17-acre parcel (Heritage West) is proposed to be amended into the airport master plan. The Heritage West parcel is located at the southwest corner of the airport, south of Otay Mesa Road and west of Heritage Road.
- G. The extension and expansion of runway protection zones and noise contours would be required due to an increased number of aircraft operations, the introduction of larger air cargo type aircraft, and a 3,500-foot runway extension.

DISCUSSION

Several discretionary actions would be necessary in association with the proposed San Diego Air Commerce Center at Brown Field. Provided below is a list of the required discretionary actions that are subject to City Council review and approval:

1. Environmental Impact Report/Environmental Analysis - The final report provides the City of San Diego, FAA, other public agencies and the general public with information regarding the proposed SANDACC project. The City and FAA are lead agencies for the project under the California Environmental Quality Act (CEQA) and National Environmental Policy Act (NEPA). Also, the City, FAA, and other responsible agencies will rely upon, in part, this report to make associated discretionary actions related to the SANDACC project.
2. Airport Master Plan - The Master Plan for the SANDACC project is a long-range airfield and commercial land use planning document that produces a flexible Airport Layout Plan

that provides for the aviation facilities required to support the projected 20-year growth in aviation activity. The Master Plan establishes existing conditions at Brown Field, identifies alternatives for providing facility improvements, reviews the plan's environmental impacts, determines the plan's financial feasibility, and establishes a comprehensive airport layout plan.

3. Amendments to the Progress Guide and General Plan and the Otay Mesa Community Plan - The amendments would allow for an expansion of the airport property to accommodate the extended runway and the Heritage West parcel, as well as the relocation and reclassification of La Media Road. The amended community plan text would include a Brown Field Airport section summarizing the general use of the airport and the land use acreage of the non-aviation related uses proposed on the south side of the airport.
4. Amendment to the Otay Mesa Development District - Brown Field would be incorporated into the Otay Mesa Development District (OMDD), and all new development on the airport would be subject to special Design Guidelines and Development Standards.
5. Brown Field Design Guidelines and Development Standards - These design guidelines would be used to direct the future physical development of Brown Field Airport. The Design Guidelines and Development Standards regulate and control land use and permitted uses, vehicular and pedestrian circulation, landscaping, design, open space, mass transit, signage, etc. The guidelines also establish review and approval procedures. The Brown Field Design Guidelines would be an appendix to the Brown Field Master Plan.
6. Resource Protection Ordinance Permit - City Council Policy 600-40 and the San Diego Municipal Code require the processing of a RPO permit in conjunction with long range plans in order to protect, preserve and, where damaged, restore environmentally sensitive lands. The project will impact Upland Biological Resources (non-native grassland and coastal sage scrub); Endangered and Threatened Species (San Diego and Riverside Fairy Shrimp found within the man-made Kelco ponds); Wetlands (drainage on the Heritage West parcel, isolated seasonal wetland on the airport property, and the eastern man-made Kelco pond).
7. Development Agreement - City staff and BFAP successfully negotiated a Development Agreement that vests the permitted uses of land as outlined in the Master Plan, and allows the City to realize extraordinary and significant benefits (see Potential Benefits section of this Report) that could not normally be exacted through the regulatory process.
8. Comprehensive Land Use Plan - The Comprehensive Land Use Plan (CLUP) for Brown Field describes the actions necessary to ensure compatible land use development on and surrounding the Airport. The CLUP includes plan assumptions, the Airport Influence Area (AIA) including an amendment to the Airport Environs Overlay Zone, CNEL noise contours, Flight Activity Zones, the Airport Land Use Commission (SANDAG) review process, and recommendations. The CLUP is subject to both SANDAG and City Council review and approval.
9. Airport Environs Overlay Zone (AEOZ) - The amended AEOZ is intended to ensure that land uses are compatible with the operation of the proposed SANDACC project by implementing land use, noise attenuation, and other standards of the CLUP. The AEOZ also provides a mechanism, called an aviation easement, whereby property owners

receive information regarding noise impacts, safety hazards, and prescriptive airspace rights associated with aircraft operations at Brown Field. The City cannot issue a permit for new construction until land use/airport operations compliance has been established.

10. MSCP Boundary Adjustment - Pursuant to the Adopted City of San Diego MSCP Subarea Plan and Implementing Agreement, any adjustments to the Multiple Habitat Planning Area (MHPA) boundary must be approved by the City decision-maker after concurrence with the State and Federal Wildlife Agencies. The project proposes to adjust the MHPA Boundary by 11.0 acres, removing mostly disturbed and developed land (10.8 acres) and adding in coastal sage scrub and non-native grasslands. The Wildlife Agencies and City staff are in support of the proposed MHPA Boundary Adjustment. Details regarding the MSCP Boundary Adjustment are contained within the Final EIR/EA, Volume II, Sections 1.4.3 and 5.3.
11. Light Rail Transit Alignment - MTDB requested inclusion of a resolution directing the City Manager to seek City Council action that would, in the future, accommodate the Otay Mesa LRT alignment within Otay Mesa Road.
12. Master Lease - The City of San Diego would lease to BFAP the Brown Field Airport property including the expansion area but excluding the public areas, for a 50-year term, for redevelopment and expansion of the airport consistent with the Master Plan and Environmental Impact Report/Environmental Analysis.
13. Airport Privatization Pilot Program Final Application - The Federal Aviation Authorization Act of 1996 established a demonstration program that would allow up to five US public use airports to submit application for exemption from certain federal provisions regarding use of revenues. On December 7, 1997, the City filed a preliminary application to include the proposed SANDACC project in the program. FAA responded that the application as filed, did not meet the program objectives nor procedural requirements and that additional information would be required in a final application which the FAA is willing to consider. Upon acceptance and approval by FAA, revenues generated from the project in excess of airport needs would be available and could be diverted to general fund purposes. To date, only one US airport has been accepted into the program, Stewart Airport in New York.
14. Landing Fees - Currently, the Municipal Code authorizes the City Manager to charge aircraft landing fees for all commercial flight activities at City airports. In addition, aviation fuel and oil delivered or distributed on City airports shall be subject to charges as determined by the City Manager. The Master Lease proposes to change the Municipal Code such that all guarantees, percentages, charges and fees charged and collected at Brown Field shall be charged and collected by the Master Lessee. The City would share in a percentage of these collections as specified in the Master Lease. The City Manager would retain responsibility for the remaining City airport.

MAJOR ISSUES

This section of the report includes a brief discussion of the most significant issues identified and discussed during the processing of this project, including issues considered by the Planning Commission and as the result of public review of the EIR/EA and other draft Airport documents.

Community Noise Equivalent Level (CNEL) vs. Single Event Noise

The State of California uses the CNEL metric to establish compatibility with aircraft noise and is the standard used to determine noise impacts on land uses in and around airports. In accordance with Section 5006 of the California Code of Regulation, Title 21, Chapter 6: a level of noise acceptable to a reasonable person residing in the vicinity of an airport is established as a CNEL value of 65 decibels. This criterion level has been chosen for reasonable persons residing in urban residential areas where houses are of typical California construction and may have windows partially open. It has been selected with reference to speech, sleep and community reaction. There are no homes, schools, churches, or hospitals within the projected 65 CNEL contour or above for the proposed project.

The City of San Diego also has adopted the CNEL levels established in the City's Noise Element of the Progress Guide and General Plan as the standard for evaluating aircraft noise impacts under CEQA. CEQA specifically provides that use of standards set in a general plan as CEQA significance thresholds is appropriate. All other relevant authorities, including the State of California and the FAA (in California), also use CNEL as the standard for evaluating noise impacts. While there is nothing prohibiting a public agency from considering maximum single-event noise levels, there are no established thresholds for evaluating the significance of such measurements.

The CNEL measurement has been used consistently as the metric for evaluating significance in connection with airport projects, including Lindbergh Field, Montgomery Field and Navy Outlying Landing Field (Ream Field). In addition, CNEL is the standard used by the City and the respective project proponents in connection with other types of development in the area, including Pardee's EIR for the California Terraces project (now known as Ocean View Hills), the Mitigated Negative Declaration for the Kaiser San Diego Medical Office Facility and the Supplemental EIR for the San Ysidro School District K-8 School Site.

Noise Impacts

When the San Diego Air Commerce Center at Brown Field is fully operational (2016), a significant amount of property surrounding the airport will experience elevated exterior noise levels. The project-specific noise study conducted for this project was one of the most detailed efforts completed, and utilized criteria and format acceptable to the City of San Diego, the State of California, and the FAA. The noise modeling assumptions were re-evaluated, double-checked, and independently reviewed and confirmed by outside consultants hired by both the City of San Diego and BFAP.

The conclusions of the noise study are illustrated in Attachment 2, which includes a map depicting the projected noise contours superimposed over existing and planned land uses in Otay Mesa. Pursuant to City, State, and Federal noise standards, the 65 CNEL and greater contour contains noise levels that are incompatible with certain types of land uses such as schools, libraries, homes, and hospitals.

The noise study and confirmatory analysis conducted for this project indicate that no existing or planned residential development, schools, parks, or hospitals will be located within the 65 CNEL or greater noise contour, and therefore, from a regulatory standpoint, these uses will not be significantly impacted by future aircraft noise generated at Brown Field. Some existing and planned residential development (Ocean View Hills) is located within the 60-65 CNEL noise

contour, however residential development is considered conditionally compatible use within that noise contour.

Noise Disclosure and Aviation Easements

The City has acquired aviation easements over all new subdivisions on Otay Mesa, including Pardee's California Terraces, Ocean View Hills, Hidden Trails, Dennery Ranch, and Robinhood Ridge. These aviation easements read, in part, the following: "We hereby grant to the City of San Diego an aviation easement and right-of-way for the use and benefit of the public for the free and unobstructed passage of aircraft in, through, and across all the airspace above elevation 684 feet (mean sea level) msl over all the land as shown on this map within this subdivision."

The easement continues: "Also, together with the continuing right of the public to cause or allow in all the airspace above the surface of grantors' property such noise as may be caused by, or result from, the operation of aircraft; it being understood and agreed that grantee intends to maintain and develop the adjacent airport, and that the easement granted herein will be used at all times and by every type of aircraft which is now in existence or which may be developed in the future for both commercial and non-commercial flights."

In addition, Pardee developed a disclosure statement for purchasers at Ocean View Hills, dated January 27, 1999. This statement contained 13 pages. An initial blank was provided at the bottom of each of those pages, so that the buyer could attest to their understanding of those pages. Page 5, 6, and 7 of 13 included information about Brown Field as follows: "The property is in close proximity to Brown Field. Your home will be over-flown by commercial or private aircraft of all types (both fixed wing and rotary). The aircraft will produce noise and vibration at any hour of the day and night". The disclosure goes on to state: "Brown Field may be expanded to a larger facility in the future. It has been reported that Brown Field may be developed into an International Cargo Facility within the next two (2) years."

Number of Air-Cargo Operations Per Day

Under the SANDACC proposal, air cargo operations at Brown Field were projected to open with a total of 14 operations per day (7 landings and 7 take-offs), increasing to a total of 48 operations within the 20-year planning period.

To estimate the start up operation of an air cargo hub, BFAP utilized several techniques to develop projections for daily and annual air cargo tonnage activity. A top down approach was developed where an estimate of the amount of air cargo tonnage being transported to other airports from the San Diego area was estimated utilizing recent report data from SANDAG. A second, bottom up approach was also utilized, where an assumed operation of air cargo operators was developed based upon marketing studies of potential companies and businesses that would most likely utilize Brown Field. BFAP prepared this by completing interviews and discussions with many of the world's prominent air cargo operators, as well as local companies dealing in air cargo operations. Utilizing this data, BFAP estimated start-up operations at Brown Field, including a number of potential carriers and an estimate of daily operations.

BFAP has stated that the 48 air cargo operations per day is based on the most dense utilization of available property on the Airport possible for aircraft parking, cargo, and warehousing facilities. Additional expansion to the north, east, west, or south is constrained by the natural topography, planned land uses, and permanent open space constraints.

BFAP has stated that these 48 cargo operations would typically operate during well-defined shipping “windows” in the morning and early evening. These windows are critical in that they must link to arrival and departure times at other airports. Effective cargo operations require that goods be off-loaded and processed as soon as possible after arrival at an airport. This means that all the related businesses and ultimate consignees must be prepared to handle the cargo when it arrives, and locks both the shipping and receiving airport into the shipping windows, requiring that aircraft arrive and depart on a scheduled basis. Further, in preparing cargo aircraft for departure, the carriers and handling companies must coordinate closely with freight forwarders, consolidators, and trucking companies to ensure that the flight departs as fully loaded as possible.

BFAP has also stated that because these businesses operate on low margins, optimizing the cargo load is extremely important, and adherence to a rigid schedule is imperative, particularly when the cargo is trucked some distance to the airport. Cargo aircraft are therefore locked into shipping windows that are independent of the airport’s ability to quickly load and unload the plane. The result is a heavy demand for extended simultaneous aircraft parking and loading, all of which takes place on a fairly limited aircraft apron.

BFAP's projections are based upon the lack of depth on the north side and the defined shipping windows, the aircraft parking projections address largely simultaneous parking scenarios for the cargo aircraft of up to 12 to 24 hour parking requirements. The capability of the airport to accommodate the future demand of 24 daily aircraft (48 operations) completely absorbs the available parking ramp, and therefore constrains the potential for additional flights. BFAP has projected that given the anticipated fleet mix and customer base, it would not be possible for there to be over 48 cargo operations per day with the facilities.

General Aviation

BFAP has stated that it recognizes the importance of general aviation at Brown Field, and has anticipated numerous advantages to accrue to general aviation as a result of the proposed project including: longer runways; split operations between general aviation (GA, south) and air cargo (north); additional GA taxiway exits from both runways; upgraded airfield perimeter security fencing; upgraded Airport Fire Department; southside GA area of 40 acres and northside GA area of 30 acres; expanded fuel farm facilities (24 hour service); reconstruction of the existing GA terminal on south airfield; all new airport utility systems; new airport roadway system; airport amenities including hotel, restaurants, and shops, etc.

BFAP has identified that the combined total of 70 acres for general aviation land use is considered approximately double the 20-year requirement for general aviation and transient aircraft parking at Brown Field. On the south side of the Brown Field, approximately 40 acres have been reserved for general aviation. BFAP has utilized the FAA planning standards ratios of 7 small aircraft per acre results in a capacity of 280 aircraft. The existing based aircraft count totals 189 and the projected (2016) based aircraft total is 253. In addition approximately 30 acres of land on the north airfield has been reserved for general aviation.

Potential Airspace Conflicts

The FAA is responsible for ensuring the safe operation of U.S. airspace. FAA will not allow unsafe operations. FAA has provided assurances that procedures will be developed to accommodate all airspace users and resolve potential conflicts resulting from the proposed project as is done throughout the National Air Transportation System.

The typical procedure is for FAA to perform an airspace analysis once local land use decisions have been made regarding an airport facility. However, at BFAP's specific request, the FAA performed a preliminary airspace analysis. This analysis was based upon projected demand prepared by BFAP's consultants. During the Master Plan process, the Navy in particular had specific concerns regarding impacts to operations at Ream Field in Imperial Beach.

An initial FAA Airspace Analysis was released on September 29, 2000, which identified several areas of potential conflicts including operations at Ream Field. The FAA has agreed to perform additional analysis upon receipt of new information, but will do so only at the specific request of the City as the Airport owner and operator.

Impacts on Schools

As indicated in the noise discussion above and illustrated in Attachment 2, there are no existing or proposed school sites within any identified incompatible (65 CNEL and greater) noise contours generated, or proposed to be generated at Brown Field. All existing and proposed school sites in the Otay Mesa region are therefore considered compatible with the proposed airport project.

State Education Code Section 17215 (review and approval of school sites) requires school districts proposing to acquire school sites within two miles of an airport to notify the Department of Transportation. The Division of Aeronautics is then required to investigate the site and report back to the school district. State law does not prohibit the construction of school sites within a two mile radius of an airport unless CALTRANS Aeronautics does not favor acquisition of the property. Based on discussions with staff from CALTRANS Aeronautics, who review all school sites, a majority (80-90%) of all school sites within 2 miles of an airport are approved. CALTRANS Aeronautics staff indicated that airport/school site conflicts typically arise only if a school site is very close to the centerline of a runway alignment and/or within an accident potential zone. Because there are no school sites in the region close to the runway centerline, within any incompatible noise contour or accident potential zone generated at Brown Field, school site conflicts with Brown Field are unlikely. All current and proposed elementary school sites within the region are therefore considered compatible with proposed operations at Brown Field.

Impacts to Kaiser Hospital

Kaiser Hospital is located near the northeast intersection of I-805 and Palm Avenue, and is situated approximately one-half mile north of, and outside of the 60 CNEL contour (see Attachment 2). Therefore, pursuant to noise and land use compatibility standards utilized by the City of San Diego, the San Diego Association of Governments, and the Federal Aviation Administration, the Kaiser facility on Otay Mesa is compatible use with future airport operations.

City staff researched other hospitals within the City of San Diego located in close proximity to airports currently in operation, and conducted informal telephone interviews with the medical staff at those facilities. The three medical facilities researched included the following:

1. Sharp Rees-Stealy (Miramar) - Just outside 60 CNEL (MCAS Miramar);
2. Sharp Rees-Stealy (Downtown) - 75-80 CNEL (Lindbergh Field);
3. Sharp Cabrillo Hospital (Point Loma) - 65-70 CNEL (Lindbergh Field)

Informal telephone interviews with staff at each of these medical facilities indicated that aircraft noise/vibration did not negatively impact or affect physicians, staff, or patients. There were no reports or complaints of noise or vibration impeding medical staff's ability to perform delicate and/or invasive procedures, medical tests were not affected, communication was not affected, radio frequencies from airplanes did not interfere with medical instruments, and fuel dumping had never occurred.

Impacts to the County of San Diego's Property East of the Airport

One of the County of San Diego's primary concerns regarding the proposed airport expansion includes potential negative impacts to their East Otay Mesa Specific Plan area (EOMSP), which is located directly east of the airport. The County believes that the airport expansion project will jeopardize their ability to market and develop a high technology park within the EOMSP.

City staff believes that the San Diego Air Commerce Center project will have a positive impact on the County's ability to market and develop EOMSP, and this presumption is shared by the County's own private airport consultant (P&D Aviation), who was hired specifically to review the SANDACC project. P & D Aviation's report states the following: "The proximity to significant air cargo services at Brown Field could provide the EOMSP (and other areas in Otay Mesa) a location-related incentive for attracting manufacturing firms. High technology products in particular, with their high value to weight ratio and often global distribution, need convenient and timely access to air cargo services. Therefore, the proposed expansion of Brown field and development of significant air cargo services could positively impact the marketability of industrial property in the EOMSP, provided that land use compatibility is achieved".

POTENTIAL BENEFITS

BFAP has provided City staff with a list of potential benefits that this project could provide to the Otay Mesa area as well as the City of San Diego. These benefits include the following:

1. Economic Impact/Job Creation - BFAP has stated that the project would serve as a major catalyst for business expansion in Otay Mesa. Economic development in this community has been a long-standing objective of the City of San Diego. BFAP has projected that the project's estimated contribution to regional economic activity is over \$750 million per year and generating over 11,500 permanent jobs in the San Diego region (including over 7,000 jobs on the project site). Local business sales are estimated to rise by over \$450 million, and over 4,500 construction related jobs will be created over the project's anticipated 12-year construction period.
2. Revenue to the City - According to a report prepared by Source Point, upon completion, the SANDACC project would produce a revenue surplus for the City of San Diego, estimated at nearly \$2.7 million annually. The report stated that while City service costs would rise by \$3.7 million per year, City revenues would increase by \$6.4 million annually, resulting in a positive net impact of \$2.7 million. In addition, if the FAA accepts the application for the Privatization Pilot Program, portions of the revenue generated by the SANDACC project could be used for City purposes outside of the Airport.
3. Air Capacity - The project could provide additional future capacity at Lindbergh Field if the existing air cargo carriers at Lindbergh eventually relocate down to Brown Field.

4. Airport Enhancement/Infrastructure - The project would provide an instrument landing system and runway lighting system that would improve safety at the airport. The airport property will be expanded from 876 acres to 1,128 acres, and the existing runway will be extended from 8,000 feet to 11,500 feet in length. BFAP would provide an airport noise monitoring system, new fire station, and a wide variety of other infrastructure and transportation improvements.
5. Air Pollution/Traffic Resolution - BFAP has suggested that the project would reduce the San Diego to Los Angeles long-distance truck transport from the highways, thus improving traffic flow and reducing emissions.
6. Development Agreement - In return for vesting of certain development rights, the proposed Development Agreement provides a variety of extraordinary benefits including but not limited to the following:
 - A. BFAP will fund significant infrastructure improvements both on and off the airport. These improvements are estimated to have a value of \$262,000,000;
 - B. BFAP will fund installation and maintenance of an airport noise monitoring and noise abatement program for Brown Field, where one currently does not exist. If the noise monitoring demonstrates an expansion in the boundaries of the CNEL lines as depicted in the certified Final EIR of the Project, then Developer shall take any and all actions to restore the boundaries of the CNEL lines to the points depicted in the certified Final EIR of the Project, unless those actions are precluded by federal law;
 - C. BFAP will fund an Education Program to educate pilots and carriers about the Noise Abatement Program;
 - D. BFAP will continue to pursue with the City the FAA Privatization Program as provided in the Master Lease. This program will enable excess City revenues from airport operations to be diverted to general fund purposes;
 - E. BFAP will complete an "Otay Mesa Drainage Study" along with all engineering drawings and construction drawings for improvements required pursuant to that study. This work will also include preparation and processing to certification all necessary environmental documents required to approve the drainage study and improvement plans. The value of this work is estimated to be approximately \$700,000 and is considered an extraordinary benefit because BFAP will pay the full cost of the study and design work, notwithstanding BFAP's fair share contribution for improvements as determined by the study;
 - F. BFAP will enter into an agreement with the City for a Brown Field Airport Fire Station staffed by San Diego Fire & Life Safety Services. BFAP will fund the cost for an approximately 9,000 square foot fire station in accordance with the San Diego Fire & Life Safety Services Fire Station Design and Construction Standards to be capable of housing apparatus, equipment and personnel that meet FAR Part 139 requirements;
 - G. BFAP will provide to the City an approximately 40-acre site on or near the airport suitable to locate an Emergency Vehicle Obstacle Course;

- H. BFAP will advance funds for infrastructure improvements as described in the Transportation Phasing Plan;
 - I. BFAP will cooperate with City to designate within the leased area, without compensation to BFAP, the land needed for two potential mass transit stations to be developed by the Metropolitan Transit Development Board (“MTDB”). The stations will be provided at the intersections of Otay Mesa Road with Pacific Rim Court and Otay Mesa Center Road. The precise station locations may change with final road and building layouts. Space for an access sidewalk will be provided along with space for trackway transitions across intersections to accommodate future crossings. If during the term of the Agreement, MTDB makes a firm commitment to proceed with the mass transit station project (i.e. certifies environmental documents in connection with approval of a light rail transit line on or adjacent to Otay Mesa Road), BFAP will thereafter within 60 days pay \$350,000 to the City to be used by the City to donate to MTDB for City requested extraordinary enhancements or amenities to be incorporated into the design and construction of the transit station;
 - J. BFAP will preserve the existing historic control tower to standards promulgated by the United States Department of Interior for rehabilitation of historic structures;
 - K. BFAP will use commercially reasonable best efforts to establish a voluntary program with the commercial airline operators to encourage their flights to arrive and depart between the hours of 7:00 a.m. and 10:00 p.m.
7. Master Lease - The proposed 50 - year master lease would provide substantial initial payments based upon the fair market value of the property, ongoing rental payments and risk protection for the City.
- A. Consideration - The City would receive \$17.9 million in prepaid rent with \$11.9 million due at the time of the issuance of the infrastructure bonds, and \$6 million due upon issuance of grading permits for the runway extension.
- In addition, the City would receive participation rent, estimated at over \$170 million, during the term of the agreement as follows:
- 5 percent of all aviation revenues starting five years from the date grading permits are issued;
 - 1.5 percent, increasing to 2 percent in year 16, of all non-retail end-user rents;
 - 5 percent increasing to 6 percent in year 16 of all gross retail sales.
 - In addition, the BFAP will pay an administrative fee of \$150,000 per year (+CPI) and a monthly fee of \$25,000 per month until a financial closing (bond issuance) occurs.
- B. Risk Protection - There are several other key provisions within the Master Lease which accomplish the City’s objectives to insulate the City from potential risks and liability:
 - 1. There is no recourse to the City on the infrastructure bonds required for the runway extension and other improvements. The vast majority of the

infrastructure and runway improvements must occur up front. The lessee will not receive beneficial interest in the property until a bond closing occurs for these improvements.

2. BFAP will indemnify and defend the City in any litigation related to the project.
3. The City will receive a percentage of the end user activity, both on real estate and aviation revenues, regardless of the developers' profitability.
4. The lessee is required to fund all airport operating expenses and all revenues are dedicated to this purpose (even debt service on the bonds is subordinate). The lessee will be in default if the airport is not being operated in a safe manner acceptable to FAA standards.
5. All of the development must proceed as set forth in the Airport Master Plan which designates all of the land uses.
6. If the developer fails to meet certain development thresholds, the City has the ability to "take-back" undeveloped land.
7. The Master Lease also contains a provision for an annual meet and confer process to ensure the air cargo and air capacity objectives are met.
8. At the conclusion of the 50 year lease term, all property, including the expansion premises reverts back to the City and the City continues to benefit from the residual value of the airport improvements, and the fully developed airport.

ALTERNATIVES

- A. Authorize the Assistant City Manager to negotiate a new Memorandum of Understanding with Brown Field Aviation Park, LLC (BFAP) for the potential lease and development of Brown Field Airport premises.

The RAMOU expired on August 16, 2000. The City Attorney has opined that Assistant City Manager is under no further obligation to negotiate exclusively with BFAP. A new MOU would need to be presented to the Mayor and City Council for consideration at a future date. BFAP has estimated that a minimum of 29 - 41 weeks would be required to complete negotiations and documentation for the project.

- B. Direct the Assistant City Manager to present the San Diego Air Commerce Center project as previously proposed for consideration by the Mayor and City Council at a future date.

Before the project could be submitted for consideration, BFAP would need to agree that the project and related documents are acceptable in their current iterations.

- C. Direct the Assistant City Manager not to recommence negotiations with BFAP; direct staff to continue working on the Otay Mesa Community Plan Update, and the Brown Field Airport Business Plan and return to Land Use and Housing (LU&H) Committee for policy direction on the future of Brown Field Airport.

The Planning Department is currently working on the Otay Mesa Community Plan Update. Airports Divisions is currently in the process of finalizing the scope of work for the Airport Business Plan. Staff will coordinate both plans to include public input and periodic updates to the LU&H Committee. Staff estimates the Airport Business Plan will be completed in approximately six months and the Otay Mesa Community Plan Update will be completed in approximately 18 - 24 months.

- D. Direct the Assistant City Manager to develop a new Request for Proposals for the disposition of all or a portion of Brown Field Airport premises and return to LU&H Committee for direction.

Specific direction should be obtained to determine the scope of such an RFP.

Respectfully submitted,

William T. Griffith
Real Estate Assets Director

Approved: Bruce Herring
Deputy City Manager

GRIFFITH/TLM-sd

Note: The attachments are not available in electronic format. A copy is available for review in the Office of the City Clerk.

- Attachments:
1. Project Description Map
 2. Projected (2016) Noise Contour Map